

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-11 EUR-25 EA-11 IO-13 ADP-00 AGR-20

CEA-02 CIAE-00 COME-00 DODE-00 FRB-02 H-02 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01

OMB-01 NEA-10 RSR-01 /221 W  
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R 291423 Z JUN 73

FM USMISSION GENEVA

TO SECSTATE WASHDC 117

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY EHLSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

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AMEMBASSY VIENNA

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PASS STR

E. O. 11652: N/ A

TAGS: ETRD, GATT

SUBJECT: GATT CTIP WG I - SUBSIDIES AND COUNERVAILING DUTIES

REF: TSC 73-39

BEGIN SUMMARY: WG 8 MADE PROGRESS IN COMPILING EXPANDED LIST OF EXPORT SUBSIDY PRACTICES FOR FUTURE CONSIDERATION. NO SUPPORT FOR US PROPOSAL OF SIMILAR LIST RELATING TO DOMESTIC SUBSIDIES THAT STIMULATE EXPORTS. SECRETARIAT TO DRAFT PAPER ON POSSIBLE COUNTERVAILING DUTY CODE, BASED ON ANTIDUMPING CODE, FOR DISCUSSION AT NEXT MEETING. END SUMMARY

1. EXPORT SUBSIDIES. WG I MEETING, JUNE 26-27, CONSIDERED AND MERGED REVISED 1960 ILLUSTRATIVE LIST OF EXPORT SUBSIDY PRACTICES ( SPEC (73) 18, PARA 5), AMENDED US LIST TABLED AT APRIL MEETING ( SPEC (73) 18, PARA 3), AND SUPPLEMENTARY US LIST PROPOSED THIS MEETING ( INT (73) 58). CONSOLIDATEE LIST CONTAINS 21 EXPORT SUBSIDY PRACTICES ( AS COMPARED TO EIGHT IN ORIGINAL 1960 LIST, WHICH HAVE BEEN PROPOSED FOR POSSIBLE PROHIBITION AS SOLUTION TO EXPORT SUBSIDY PROBLEM. ONLY NEW PRACTICE NOT SUGGESTED BY US IS CANADIAN PROPOSAL TO PROHIBIT SUBSIDIZATION OF INTERNATIONAL SHIPPING CHARGES, WHICH WAS NOT SUPPORTED AND WHICH INTRODUCES NEW SUBJECT INTO DISCUSSION.

2. TWO ITEMS ON US SUPPLEMENTARY LIST ELICITED STRONG OPPOSITION. EC FINALLY AGREED TO RETAIN SPECIAL GOVERNMENT MEASURES TO OFFSET DISADVANTAGEOUS PRICE EFFECTS ON EXPORTS OF EXCHANGE RATE ADJUSTMENTS. HOWEVER, EC BELIEVED THESE SPECIFIC MEASURES RATHER THAN THEIR PURPOSE SHOULD BE LISTED. JAPAN STATED THAT INTRODUCTION THIS ISSUE HAD BROAD IMPLICATIONS THAT SHOULD BE CON-

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SIDERED FURTHER. EC ALSO HAD STRONG RESERVATIONS ON PRACTICE RELATING TO BORDER TAX ADJUSTMENTS, I. E. THE REDUCTION OF DIRECT TAX BURDEN ON PRODUCERS OF AN EXPORTED PRODUCT ACCOMPANIED BY AN INCREASE IN INDIRECT TAXES BORNE BY THE SAME PRODUCT. EC ( DUGIMONT/ BESELER) STATED THAT THIS ISSUE HAD BEEN THOROUGHLY DISCUSSED IN WORKING PARTY ON BORDER TAXES AND THAT IT IMPLIED INTERVENTION

IN GOVERNMENTS' TAX POLICIES THAT EC WOULD FIND IMPOSSIBLE TO ACCEPT.

3. DOMESTIC SUBSIDIES THAT STIMULATE EXPORTS. WG CONTINUED RESIST SUBSTANTIVE DISCUSSION OF LIST OF DOMESTIC SUBSIDY PRACTICES THAT MIGHT STIMULATE EXPORTS. EC, CANADA, JAPAN, AND SWEDEN ALL INDICATED THAT IMPROVED

NOTIFICATION AND CONSULTATION PROCEDURES UNDER ART. XVI:1 IS SOLUTION TO ANY TRADE PROBLEMS IN THIS AREA. CANADA, HOWEVER, SUGGESTED THAT GUIDELINES MIGHT BE DEVELOPED FOR GOVERNMENT- SUPPORTED ECONOMIC DEVELOPMENT. JAPAN ( WADA) ALSO SAID THAT US PROPOSAL TO PROHIBIT DOMESTIC SUBSIDY MEASURES THAT RESULT IN SIGNIFICANT EXPORTS SHOULD REQUIRE A FINDING OF A CASUAL RELATIONSHIP BETWEEN THE SUBSIDY AND THE EXPORTS AND THAT THIS WOULD BE VERY DIFFICULT. US( KELLY) RECOGNIZED DIFFICULTIES OF DEALING WITH THIS ISSUE UT DID NOT BELIEVE THAT IMPROVED NOTIFICATION AND CONSULTATION PROCEDURES WAS OPTIMUM POSSIBLE SOLUTION.

4. CONSISTENT WITH RECENT NOTIFICATION ON MICHELIN TIRES FOR INCLUSION IN NTB INVENTORY US ADDED CRITERIA TO LIST OF DOMESTIC SUBSIDY MEASURES THAT WOULD COVER THIS CASE. PREVIOUS US PROPOSAL RELATING TO EXPORT SUBSIDY EFFECTS OF GOVERNMENT PROCUREMENT POLICIES ( ASSURED DOMESTIC MARKET ENABLING COMPETITIVELY PRICES EXPORTS) WAS MOVED FROM EXPORT TO DOMESTIC SUBSIDY LIST.

5. DOMESTIC SUBSIDIES THAT RESULT IN IMPORT SUBSTITUTION. CANADA ( DENIS/ RUSSELL) STATED THAT ADDITION THIS TOPIC GAVE BALANCE TO WG I CONSIDERATION OF TRADE EFFECTS OF DOMESTIC SUBSIDY MEASURES. CANADA NOTED THAT BOTH IMPORT- SUBSTITUTION EFFECTS AND EXPORT- STIMULATING OF LIMITED OFFICIAL USE

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DOMESTIC SUBSIDIES ARE COVERED BY ARTICLE XVI:1 AND BELIEVED THAT SAME IMPROVED NOTIFICATION AND CONSULTATION PROCEDURES SHOULD APPLY TO BOTH. NO WG DISCUSSION ON THIS ISSUE.

6. COUNTERVAILING DUTIES. CANADA SAID THAT PROBLEM OF COUNTERVAILING DUTIES MUST BE SOLVED IN PARALLEL WITH SUBSIDIES. EC AND CANADA, SUPPORTED BY SWEDEN, PROPOSED

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ACTION EB-11

INFO OCT-01 RSR-01 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 AF-10 ARA-11

EA-11 EUR-25 NEA-10 IO-13 /221 W

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THAT WORK BE INITIATED ON COUNTERVAILING DUTY CODE.  
UK OUTLINE OF CODE, PATTERNED ON ANTIDUMPING CODE  
( COM. IND/ W/98, ANEX III), SUGGESTED AS BASIS OF DIS-  
CUSSION. CANADA, HOWEVER, STATED THAT KEY ISSUE IS  
MATERIAL INJURY AND THAT DEFINITION OF INJURY NOW  
CONTAINED IN ANTIDUMPING CODE IS INADEQUATE EVEN FOR ANTI-  
DUMPING CASES. EC MADE SAME POINT TO US REP AFTER  
MEETING BUT DID NOT ELABORATE.

7. US REITERATED THAT DUMPING BY PRIVATE ENTREPRENEURS  
IS DIFFERENT PROBLEM FROM GOVERNMENT SUBSIDIZATION OF  
EXPORTS AND THEREFORE ANTIDUMPING CODE NOT VERY RELEVANT.  
EXPORT SUBSIDIES, RATHER THAN MEASURES TO DEAL WITH THEM,  
IS PRIMARY PROBLEM. IF EXPORT SUBSIDY ISSUE COULD  
BE SATISFACTORILY RESOLVED, THEN ANY COUNTERVAIL PROBLEM  
WOULD DISAPPEAR OR BE MINIMIZED. FURTHERMORE, IF A BAN  
ON EXPORT SUBSIDIES COULD BE AGREED, IT WOULD BE INEQUIT-  
ABLE TO REQUIRE AN INJURY FINDING BEFORE COUNTERVAILING  
DUTIES COULD BE IMPOSED ON THE SUBSIDIZED PRODUCTS OF A  
COUNTRY VIOLATING SUCH A BAN. CANADA, HOWEVER, DEFENDED  
AN INJURY REQUIREMENT IN SUCH CASES ON GROUNDS THAT IT  
WOULD PREVENT A COUNTRY FROM UNILATERALLY DECIDING THAT  
ANOTHER COUNTRY WAS VIOLATING A BAN ON EXPORT SUBSIDIES.  
EC STATED THAT INJURY REQUIREMENT NECESSARY TO PREVENT USE OF  
COUNTERVAILING DUTIES FOR PROTECTIONIST PURPOSES.

8. UNLIKE APRIL MEETING US RECEIVED NO SUPPORT FOR  
POSTPONING CONSIDERATION OF COUNTERVAILING DUTY CODE.  
SECRETARIAT TO PREPARE PAPER ON COUNTERVAILING DUTY  
CODE, BASED ON PREVIOUS UK PROPOSAL, FOR DISCUSSION AT  
NEXT MEETING. IN PARALLEL, WG WILL FURTHER CONSIDER  
EXPORT AND DOMESTIC SUBSIDIES. EXPECTATION IS THAT  
WG OR POSSIBLE SUCCESSOR WILL MEET IN FALL. BASSIN

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Office:** ACTION EB  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
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**Review Content Flags:**  
**Review Date:** 13 AUG 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13-Aug-2001 by shawdg>; APPROVED <14-Sep-2001 by boyleja>  
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30 JUN 2005

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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 980306  
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**TAGS:** ETRD, GATT  
**To:** BERN  
BONN  
BRASILIA  
BRUSSELS  
CANBERRA  
COPENHAGEN  
DUBLIN

EB

SECSTATE WASHDC

**Type:** TE

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